

Banking Engagement Forum review

Report on the progress of the Banking Engagement Forum, 2022-2023

The banking engagement forum began meeting at the beginning of the 2022/2023 academic year. Its purpose is to share information, co-ordinate, and discuss matters relevant to the banking arrangements for the Collegiate University and University-affiliated institutions with the intention of using their combined influence to help mitigate climate change. Through its pension funds and in its engagements with fund managers, especially as regards their engagements with banks, the University acts as a universal owner with an interest in addressing real-world systemic risks stemming from the actions of important systemic actors both now and in the future. The Forum formalises and provides structure for work the Collegiate University has been undertaking for some time to focus on the particularly high-impact sector identified in the [2020 Cambridge divestment report](#): commercial banks.

Review of the year

This was the first year the Forum has been operational. The Forum is Chaired by Anthony Odgers, Chief Financial Officer, and includes members from the University, the Endowment, Cambridge University Press & Assessment, the Colleges, the Cambridge Institute for Sustainability Leadership, and the student body. Over the course of the year the Forum held seven meetings and established a Terms of Reference document. The Terms of Reference also includes a Schedule of Activities for the 2022/23 and 2023/24 academic years.

Information-gathering and preparation

To inform the engagements with banks, full briefs were prepared on the climate commitments of Barclays, Lloyds, and HSBC, alongside detailed analysis of their investments in fossil fuel expansion.

Influencing banks

The Forum has focused, in particular, on the goal of encouraging banks to cease financing (lending and underwriting) to companies that are engaging in fossil fuel expansion, especially the construction of new fossil fuel infrastructure that risks locking in long-term emissions such as new coal- and gas-fired power stations. Other topics linked to this agenda are executive remuneration and its link to achieving sustainability targets, and the financing of green infrastructure in the Global South.

During the year, the Banking Engagement Forum co-ordinated several engagement meetings between the Collegiate University and our main banking providers. These

meetings were held in person in Cambridge and attendees included senior bank representatives and senior members of the Collegiate University, including several Heads of House and Bursars. The BEF also coordinated members of the Collegiate University in their engagements with asset managers, focusing on the avoidance of primary market financing (new bond and equity issues, IPOs, etc.) of fossil fuel expansion and opposing the re-election of directors of companies that are engaging in fossil fuel expansion, including utilities that are building new coal and gas plants.

While we are satisfied that the banks – including senior executives – are aware of the University’s position, and have made some concessions over the year, there remains significant work to do.

Asset manager engagements

The BEF also coordinated members of the Collegiate University to also engage intensively with asset managers. These focused on avoiding primary market financing (e.g., new bond and equity issues, initial public offerings) and opposing the re-election of directors of companies engaging in fossil fuel expansion, including banks that finance such expansionist companies and utilities that continue to build new coal and gas plants. Both of these priorities emerged from reviews of academic research on this topic, and we have seen substantial progress on director votes from several large asset managers.

Throughout the year we engaged intensively with five of the asset managers with the most significant relationships with the collegiate University, alongside light-touch engagements with additional asset managers.

Ethical banking options for students and staff

During the year the BEF oversaw a project to provide useful advice to incoming students and staff who may be opening new bank accounts. The aim is to enable students and the wider academic community to make informed choices about their banking provider. This has led to the [University’s website](#) providing links to information on the sustainability strategies of banks.

This project was the result of the University reviewing its banking relationships and moving away from a preference for recommending one specific bank (namely Barclays). As part of this the University’s website has been reviewed and any preferential reference to a specific bank has been removed.

Feasibility study for a 1.5°C-aligned bond index

As noted in the University’s 2020 Divestment Report, debt is the main source of new capital flowing into fossil fuel expansion. Accordingly, that same year the University looked to secure a suitable mandate for fixed income holdings, finding no off-the-shelf fossil-free product available. As a result, the new centre Finance for Systemic Change has undertaken a

feasibility study for a 1.5°C-aligned bond index. The results of that were encouraging and funding has now been secured to develop the product.

Treasury policy

A sustainability principle was added to the Treasury policy, meaning that, without undermining credit quality, a banking provider's climate-related track record is now a deciding factor between otherwise equal opportunities. There is also now a greater weight towards building societies.

Proposed schedule of activities 2023/2024

The BEF will track the following in its engagements with banks and fund managers:

- Entity-level amount of primary market financing of companies that are engaging in or facilitating fossil fuel expansion (fossil fuel, utilities, banking, and insurance companies).
- Number of votes against the directors of companies that are engaging in or facilitating fossil fuel expansion (fossil fuel, utilities, banking, and insurance companies).

The BEF's activities in 2023/2024 will include coordinating and overseeing:

1. Engagement with banks
 - a. Press for the cessation of financing (lending and underwriting) of companies that are engaging in fossil fuel expansion.
 - b. Continue to host engagement meetings with the University's main banks for this year, while considering different strategies at year end if sufficient progress is not made.
 - c. Maintain up-to-date briefs of the banks' sustainability strategies as required and, as resources allow, track changes in bank policies relating to our priorities.
2. Cash and money market Request for Proposals
 - a. Complete the draft RfP and support University-affiliated and peer institutions to switch cash product providers. Track and record cash moved.
 - b. Promote the RfP and engage with other stakeholders throughout this process – e.g., other higher education institutions, charitable trusts, and foundations – to contribute to social discourse on the topic of bank financing of fossil fuel expansion.

3. Other opportunities to influence banks
 - a. Continue to explore the range of banking products and services utilised by the Collegiate University and to what extent they may be transferable to alternative providers that more fully satisfy our aspirations
 - b. Consider additional levers to escalate our influence with the banking sector.

4. Engagement with asset managers
 - a. Press for the cessation of primary market financing of companies that are engaging in fossil fuel expansion, especially the construction of new fossil fuel infrastructure that risks locking in long-term emissions.
 - b. Press for an increase in the number of votes against the re-election of directors of entities that are engaging in, financing, or insuring fossil fuel expansion, including utilities that are building new coal and/or gas power plants.

5. Collaborate with other higher education institutions
 - a. Ensure wide visibility of the cash and money market RfP.
 - b. Support higher education and asset owner peers through appropriate networks.